

Illinois retailers may accept U.S. Government Bank Cards in sales to the U.S. Government and its agencies without requiring an Illinois exemption number. See generally, 86 Ill. Admin. Code 130.2080. (This is a GIL.)

December 28, 1998

Dear Ms. Xxxxx:

This letter is in response to your letter dated October 16, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

I am the official responsible for the charge card program at US AGENCY. A letter dated March 24, 1998 advised you about our new purchase, travel, and fleet cards. In that letter, we provided the Federal Tax Exempt Identification Number for AGENCY, ####. We requested that you review your State's policy and provide this office with a letter confirming the tax exempt status as soon as possible, so that we may share your letter with all AGENCY employees. At the present, we have received responses from most states.

Effective November 30, 1998, AGENCY employees will use the new cards for travel and to purchase goods and services for official business. AGENCY CARD will be imprinted with 'For Official Government Use Only' and the Tax Exempt Identification Number. This new card will replace previously used NAME, NAME, NAME cards. The AGENCY card account numbers will begin with the number '####'.

It is our understanding that the general rule among state tax officials is that if a transaction is billed to and paid by the government, it is tax exempt. Our card transactions will be centrally billed and paid directly by the AGENCY. Except for the AGENCY2, the only uses of the card that will not be centrally billed to AGENCY are hotels and miscellaneous and incidental expenses for travel. For the AGENCY2, all transactions will be centrally billed and paid by the government. Purchase and travel cards will contain the employee's name. Enclosed are images of the employee card and the card for fleet vehicles.

We found that many state regulations linked tax exempt status to the soon-to-be obsolete NAME, NAME, NAME cards. If necessary, it would be

very helpful to us if your regulations were revised to reflect the changes in our charge card usage.

Thank you for your assistance in this matter. Should you wish to discuss any aspect of this program in greater detail, please contact PERSON of my staff at #### or by e-mail at ####.

Pursuant to 86 Ill. Adm. Code 130.2080, enclosed, sales made to governmental bodies (Federal, State, local, or foreign) are not subject to Retailers' Occupation Tax (sales tax). In order to make a tax exempt purchase, governmental bodies must generally have an active exemption identification number (an "E-number") issued by the Department. It is important to note that only sales of tangible personal property invoiced to the organization or governmental body itself are exempt. Sales made to an individual member of an exempt entity buying personal items, such as clothes, are generally subject to tax.

However, Illinois retailers may accept U.S. Government Bank Cards in sales to the U.S. Government and its agencies without requiring an Illinois exemption number. When making a purchase, the holder of the card presents it to the retailer, who records the card number instead of collecting tax.

Your letter mentions that some of the employees may incur hotel expenses. We have also enclosed a copy of 86 Ill. Adm. Code 480.101, which explains the nature, rate and scope of the Hotel Operators' Occupation Tax Act. As explained in Section 480.101(b)(3), hotel operators incur this tax on room rentals to entities that would otherwise be exempt from sales tax (i.e. entities such as governmental bodies, exclusively charitable, religious, or educational groups that possess exemption identification numbers).

It is important to note that this is a tax imposed upon hotel operators and not upon hotel guests. The Hotel Operators' Occupation Tax Act allows hotel operators to collect an amount from their customers that represents reimbursement for the hotel operators' tax liability. Consequently, there is no tax imposed upon guests from which they can be exempted. The fact that these guests may represent entities that are recognized as exempt organizations by the Department does not exempt them from reimbursement for the hotel operators' tax liability.

I hope this information is helpful. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Terry D. Charlton
Associate Counsel

TDC:msk
Encl.